

MT LEGISLATIVE HISTORY

Chapter 583 1982

Bill H (S) 22

Original bill & hist. C

H. Committee on Taxation

S. Committee on Taxation

Hearing Date(s) MAR 10 ☒ C

Hearing Date(s) JAN 29 ☒ C

APR 09 ☒ C

FEB 02 ☒ C

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Date Out APR 09 ☒ C

FEB 02 ☒ C

Did this bill originate in an interim committee? Yes No

Committee

Report

CHAIRMAN--SEN. GEORGE MCCALLUM
NORMAL SCHEDULE==> SITE: ROOM 413/415

DAYS: MON THRU FRI

TIME: 8:00 A.M.

SECRETARY-AGGIE HAMILTON

--BILL NO--	REFER DATE	HEARING DATE	CONSIDERATION DATES	COMMITTEE ACTION	REREFERRED TO COMM	DATE OUT
SB0001	1/03	1/10	1/13	PASS AS AMENDED	RULES	1/15
ANDERSON, JR., JOHN H.			BEACH-WIBAUX PLANT IMPACT ASSISTANCE INTERSTATE COMPACT			
SB0003	1/03	1/14	1/15, 1/16	ADVERSE REPORT		1/20
KEATING, THOMAS F.			CONSTITUTIONAL AMENDMENT TO DISCONTINUE DEPOSITS TO COAL TAX TRUST FUND			
SB0012		1/06	1/9	TABLED 3/6		
AKLESTAD, GARY C.			TAX EXEMPTION FOR PRODUCER-HELD GRAIN			
SB0012	12/31					
AKLESTAD, GARY C.			TAX EXEMPTION FOR PRODUCER-HELD GRAIN			
SB0022	1/20	1/29		PASS AS AMENDED		2/2
VAN VALKENBURG, FRED			GENERALLY AMEND CAPITAL COMPANY ACT; AUTHORIZE TAX CREDITS FOR 2 MORE YEARS			
SB0026	1/05	1/06		PASS AS AMENDED		1/9
HAGER, TOM			REQUIRE DEPT OF REVENUE TO ACCEPT MOSS MANSION AS IN-KIND PMT. OF ESTATE TAX			
SB0030		2/20		ADVERSE REPORT 2/21	TAXATION	
HAGER, TOM			RETURN PROPERTY TAX APPRAISAL AND ASSESSMENT TO COUNTY			
SB0030	2/24			TABLED 3/6		
HAGER, TOM			RETURN PROPERTY TAX APPRAISAL AND ASSESSMENT TO COUNTY			
SB0030	12/31					
HAGER, TOM			RETURN PROPERTY TAX APPRAISAL AND ASSESSMENT TO COUNTY			
SB0036	1/03	2/20		ADVERSE REPORT		2/21
SMITH, ED B.			RETURN PROPERTY TAX ADMINISTRATION TO COUNTIES UNDER STATE COMMISSION			
SB0044	1/06	1/10	1/28	PASS AS AMENDED		2/4
FARRELL, WILLIAM E.			TRANSFER LARGE TRUCKS FROM CLASS 10 TO CLASS 8 FOR PROPERTY TAXATION			

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

January 29, 1987

The eleventh meeting of the Senate Taxation Committee was called to order at 8:00 A.M. on January 29, 1987 by Chairman George McCallum in Room 413/415 of the Capitol Building.

ROLL CALL: All committee members were present.

CONSIDERATION OF SB 22: Senator Van Valkenburg, Senate District 30, presented this bill to the committee. He said this bill will increase the amount of credits available for investment in capital companies between the first of July of this year and June 30, 1989. It will also provide that the amount of credit that an individual investor may take would be increased from 25% to 50%, with a maximum individual credit of \$150,000 per taxpayer as opposed to \$25,000 per taxpayer. Finally, this bill would alter the capital company law to allow investments of up to 25% of available funds in business outside of Montana if such an investment is likely to produce investment in Montana. He said this bill very substantially increases the incentives that are available.

PROPOSERS: Dick Bourke, President, Development Corporation of Montana, gave testimony in support of this bill. A copy of his testimony is attached as Exhibit 1.

Jack Manning, attorney, gave testimony in support of this bill. He has represented a lot of venture capital companies and a number of underwriters in and out of Montana. He said he believes that it is generally accepted that venture capital, equity capital, is very important to economic development in Montana. Montana receives very little investment for venture capital from outside the state of Montana and we really have very few venture capital centers in Montana. Generally venture companies are interested only in larger projects. Montana, because of its population and distances, does not have that many opportunities. The 25% tax credit has assisted a number of capital companies in raising money but that really has not been sufficient in raising money publicly. He believes the tax credit increase from 25% to 50% is important and also that it is absolutely necessary to be able to go outside the state to get some venture capital back into the state.

Tom Thomas, President, Great Falls Capital Corporation, gave testimony in support of this bill. He said we are a qualified capital company under the present statutes and we have established on the basis that we would obtain through the sale of stocks, a minimum of \$2 million. If we do not reach that goal we will not proceed with our business. To date we have obtained \$1 million in investments. Without the enactment of this bill it will be very difficult to raise a minimum of \$1 million. This bill would not only insure that we could sell the minimum, but in all likelihood we would be able to sell \$1½ million. Our plan is to purchase existing successful companies located outside the state of Montana and relocate in Great Falls. We are prepared, as soon as we have the financing in place, to proceed with this plan.

Warren Robinson, Vice President of the Great Falls Capital Corporation, gave testimony in support of this bill. He said it would be very difficult to raise the additional funds needed to make the Great Falls Capital Corporation operational unless we have this additional incentive to attract investors to this corporation. The opportunities out of the state of Montana are significantly better in terms of raising money. He said the need is there and it would be in the best interest of the state of Montana to develop a strong economic base.

Sam Hubbard, Executive Director, Science and Technological Alliance, rose in support of this bill.

Bob Hanson, Administrator, Montana Economic Development Pool, said we administer the tax credits and certify and qualify the Montana capital companies. Our board has voted on the concept to support this particular bill.

OPPONENTS: None.

QUESTIONS FROM THE COMMITTEE: None.

Senator Van Valkenburg closed.

CONSIDERATION OF SB 150: Senator Boylan, Senate District 39, presented this bill to the committee. A copy of his presentation is attached as Exhibit 2.

PROPONENTS: Dennis Burr, representing the Montana Taxpayers Association, gave testimony in support of this bill. He said this is the most important bill this session concerning improvements in property tax administration. The people need to know this information and as a tool within the Department of Revenue, a sales ratio study is simply vital. In 1981 this bill passed through the House and Senate and then was vetoed by the Governor. Everything in this bill has been approved at one time by the Department of Revenue.

TAXATION

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 1-29-87

NAME	PRESENT	ABSENT	EXCUSED
SENATOR CRIPPEN	✓		
SENATOR NEUMAN			✓
SENATOR SEVERSON	✓		
SENATOR LYBECK	✓		
SENATOR HAGER	✓		
SENATOR MAZUREK	✓		
SENATOR ECK	✓		
SENATOR BROWN	✓		
SENATOR HIRSCH	✓		
SENATOR BISHOP	✓		
SENATOR HALLIGAN, VICE CHAIRMAN	✓		
SENATOR McCALLUM, CHAIRMAN	✓		

Each day attach to minutes.

DATE 1-29-87

COMMITTEE ON

Senate Taxation

VISITORS' REGISTER

SB 22, 150, 155

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppos.
Virginia Smith	Myself	SB 55		X
Frank Smith	Mont. Culture (Albion)	SB 155		X
Rich Brannan	MT Assoc of Chemists & Natl	SB 155		X
DICK BOURKE	DAL. CORP. OF MT.	SB 22	X	
John Smith	State of Montana	SB 155		X
Rich Smith	MT Lib. Sci. Books Council	SB 155		X
Jack Manning	myself	SB 155	X	
Tom McCall	MT Bell			
DEBORAH SCHOLES	MT. LIBRARY ASSOC	SB 155		X
Bob Anderson	AISBIA	SB 155		X
Dave Nelson	Montana Nili Council	155		X
Tom T. Jones	Great Falls Hospital Corp	SB 22	X	
Janet Ellis	MT Archubon	155		X
ESTHER STENBERG	MWF	155		X
Jeanne Klobuck	"	"		X
Ken Brown	WPRC			X
Warren L. Robinson	Great Falls Capital Conf	SB 22	X	
Jim (M. F. Jones)	MT. ASSOC. OF PLANNERS	155		X
Dennis Burn	MONTAX	150	X	
Bob Smith	OPI	155		X
Larry Weinberg	MT. UNIV. SYSTEM	155		X
Earl W. Johnson	First Bank Helena	SB 22	X	
Harold Rollin	oil Gas & Coal	SB 155		X
John Smith	Great Falls Gas Co		X	
Sam Hubbard	Sci & Tech Alliance	SB 22	X	
Cl. K. Jones	Sci & Tech Alliance	SB 155		



DEVELOPMENT CORPORATION OF MONTANA

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Wilbur Scott
Montana Board of Investments
Great Falls, Montana

Frank W. Shaw
Norwest Bank Great Falls
Great Falls, Montana

Raymon F. Thompson
Semitool, Inc.
Kalispell, Montana

Frank V. Woy
Montana Power Company
Butte, Montana

TESTIMONY IN SUPPORT

OF SENATE BILL 22

OBJECTIVE

To increase the supply of private sector venture capital in Montana through providing a financial incentive, in the form of a tax credit, to investors in Montana venture capital companies.

DEFINITIONS

Montana Capital Company - A Montana-based venture capital company created pursuant to Title 90, Chapter 8. This act is administered by the Montana Economic Development Board (MEDB). Capital Companies are certified and qualified by the MEDB, prior to their investors obtaining state income tax credits.

Venture Capital - Generally, financing involving the purchase of convertible debt, warrants, or equity in a company which is not eligible for financing by traditional credit-oriented financial institutions.

BACKGROUND

The Montana Capital Company Act was passed in 1983 as part of the Build Montana program. It provides a 25% state income tax credit to investors in Capital Companies, which provide venture capital to businesses in Montana.

Of the \$2 million in tax credits authorized in 1983, only about 250,000 has been taken. Clearly, the 25% tax credit has been too low to stimulate much private venture capital.

SENATE TAXATION

EXHIBIT NO. 1

DATE 1-29-87

BILL NO. SB 22

Recognizing this problem, and the need to increase its capital base, the DCM, Montana's first and largest capital company, developed a series of amendments to the act.

After careful review of the situation, the Schwinder administration endorsed the raising of the tax credit to 50%, and most other DCM proposed changes to the law. There is a ceiling of \$3 million in total available tax credits for the biennium.

REASONS FOR THE BILL

1. Successful entrepreneurs are necessary for economic development.
2. Successful entrepreneurs often require venture capital.
3. Montana lacks adequate pools of venture capital. For example, the DCM's current capital base limits their maximum investment to \$100,000. If they had \$3 million in capital, they could provide up to \$300,000 per deal.
4. Montana may risk losing start up businesses, and existing companies, if we don't have sufficient private pools of venture capital.
5. The tax credit approach is the most cost-effective use of public resources to stimulate venture capital. During the last 1½ years, only \$1,240 of tax credits were taken for each job retained or created by the DCM's investment activities.

THE AMENDMENTS

1. P.1, lines 20-21
More clearly define "Capital base". Existing definition is not consistent with intent of 90-8-301(1).

SENATE TAXATION

EXHIBIT NO. 1

DATE 1-29-87

BILL NO. SB-22

2. P.3-4, lines 25, lines 1-10
This language allows for up to 25% of the capital companies investments to be made outside of Montana, "if such investment is likely to produce an investment in Montana." Basically, this change is sought so that our capital companies have the ability to build co-investing relationships with out of state investors, thus bringing outside risk capital and expertise into Montana. This flexibility must be provided for our capital companies to attract larger pools of capital, and participate fully in the regional and national venture capital community.
3. P.5, line 5
This limits the total tax credits available to investors in a single capital company to \$1.5 million.
4. P.5, lines 13-17
This limits the total tax credits available to all investors in all capital companies to \$3 million over the biennium.
5. P.6, lines 10-11
This raises the tax credit from 25% to 50%, and raises the maximum credit allowed per investor from \$25,000 to \$150,000. This is higher than the \$50,000 proposed by the Schwinden administration. We urge the higher limit because the objective of this bill is to raise private venture capital, and the higher the limits per investor, the more capital we will be able to raise.
6. P.7, lines 3-4
This extends the Capital Company Act to July 1, 1989.

SUPPORT

Governors Economic Transition Task Force
Montana Economic Development Board
Science and Technology Alliance

SENATE TAXATION

EXHIBIT NO. 1

DATE 1-29-87

BILL NO. SB-22

Senator Regan closed.

ACTION ON SB 60: Senator Neuman made a motion that SB 60 BE TABLED. The motion carried.

DISPOSITION OF SB 22: Senator Halligan made a motion that SB 22 DO PASS.

Senator Crippen said this bill sunsets in two years and he thinks the committee should consider a longer period of time, maybe 4 years.

Senator Halligan would agree with that.

Senator Crippen made a substitute motion to amend SB 22, on page 7, line 3, from 1989 to 1991 and wherever else that adjustment may be appropriate in the bill. The motion carried unanimously.

Jim Lear noted that the caps on page 5 would only go through 1989 and questioned whether the committee would want to change that to June 30, 1991.

Senator Crippen wondered if the caps should be increased. He thinks you would have to cap the \$3 million at this point in time and in the next two year period add another \$3 million for the additional two year period.

Jim Lear said without doing anything further on page 5, the effect then would be to say nothing about what the caps would be after 1989. One might assume that there are no caps after 1989.

Senator Halligan said he thinks it is time to give economic development an opportunity to raise the investment money.

Senator Crippen said we will be here two years from now and if we had a staggered cap and that wasn't enough, you can bet they will be back in to try to raise the cap. With that in mind, Senator Crippen made a motion that SB 22 be amended on page 5, line 17 to include an additional \$3 million cap for the period from July 1, 1989 to June 30, 1991.

Senator Mazurek said by then extending that two more years do you need to go back and look at the total credits available to a single qualified company of \$1.5 million on page 5, line 5.

Senator Crippen said this will give them an incentive to continue to work for a four year period.

Senator Eck asked if the stricken language on page 6, line 25, "of 1954" should be reinserted in the bill.

Jim Lear said if you look at section two of the Federal Tax Reform Act of 1986 it has a cross reference proviso of 1954 to 1986 and back and forth. There is no need to insert that language in this bill.

Senator Crippen's motion carried with the committee.

Senator Halligan made a motion that SB 22 DO PASS AS AMENDED.

Senator Neuman said he would vote against the bill because he does not think it is a good idea to take another \$3 million out of the general fund and the cost of the credits when the testimony demonstrated that all that benefit goes out of the state anyway. He does not want to overload the benefits for one particular type of investment capital company.

Senator Eck said with all the discussion she has heard in the last two years, it always comes back to what Montana needs is economic development. She thinks it is not really a \$3 million loss if those credits result in new business and industry in Montana.

Senator Crippen said we have to keep in mind we are not talking about debt financing, we are talking about equity financing. There just isn't the ability among the people in Montana to raise that much money anyway.

Senator Halligan's motion that SB 22 DO PASS AS AMENDED carried with Senator Neuman opposed.

DISPOSITION OF SB 45: Senator Hirsch said this is a complicated bill and he would move that SB 45 DO NOT PASS. He can see the application to the Yogo Sapphire Mine near Lewistown, but the testimony from small miners that this bill will effect was enough for him to oppose the bill.

Senator Lybeck said in talking with a local jeweler in his area, when the mine was first opened he received a lot of gems from them and now the source has dried up. He wonders if they are high-grading the good gems out of the area. Senator Lybeck made a substitute motion that SB 45 DO PASS.

TAXATION

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 2-2-87

NAME	PRESENT	ABSENT	EXCUSED
SENATOR CRIPPEN	✓		
SENATOR NEUMAN	✓		
SENATOR SEVERSON	✓		
SENATOR LYBECK	✓		
SENATOR HAGER	✓		
SENATOR MAZUREK	✓		
SENATOR ECK	✓		
SENATOR BROWN	✓		
SENATOR HIRSCH	✓		
SENATOR BISHOP	✓		
SENATOR HALLIGAN, VICE CHAIRMAN	✓		
SENATOR McCALLUM, CHAIRMAN	✓		

Each day attach to minutes.

STANDING COMMITTEE REPORT

February 2 19 37

MR. PRESIDENT

SENATE TAXATION

We, your committee on

having had under consideration..... **SENATE BILL** No. **22**

First reading copy (white)
color

**GENERALLY AMEND CAPITAL COMPANY ACT; AUTHORIZE TAX
CREDITS FOR 2 MORE YEARS**

Respectfully report as follows: That..... **SENATE BILL** No. **22**

be amended as follows:

1. Title, line 9.

Following: line 9

Strike: "1989"

Insert: "1991"

2. Page 5.

Following: line 17

Insert: "The total credits authorized for all companies between
July 1, 1989, and June 30, 1991, may not exceed \$3 million plus
any portion of the credits available for authorization before
June 30, 1989, that is allocated to qualified companies."

3. Page 7, line 3.

Following: "5"

Strike: "2"

Insert: "4"

AND AS AMENDED

DO PASS

DO NOT PASS

SENATOR GEORGE McCALLUM, Chairman.

STATUS SHEET

50th LEGISLATIVE SESSION

TAXATION COMMITTEE

SENATE BILL NUMBER	ENTERED COM. DATE	DATE CON- SIDERED	OUT OF COM.	DO PASS DATE	DO NOT PASS DATE	DO PASS AS AMENDED DATE	DO NOT PASS AS AMENDED DATE	BE CON- CURRED IN DATE	BE NOT CON- CURRED IN DATE	BE CON- CURRED IN AMENDED DATE	BE NOT CONCURRED IN AS AMENDED DATE
1	2/4/87	3/5/87	4/6/87	tabled							
3	2/4/87	3/4/87								4/7/87	
12	3/17/87	3/30/87	4/7/87	tabled							
22	2/18/87	3/10/87								4/9/87	
26	2/4/87	3/3/87						3/3/87			
36	3/3/87	3/25/87						4/7/87			
44	2/18/87	3/10/87								4/6/87	
47	2/4/87	3/12/87							3/16/87		
55	2/4/87	3/4/87	4/9/87	tabled							
64	2/4/87	3/12/87						4/6/87			
71	2/24/87	3/12/87								4/6/87	
74	2/23/87	3/13/87								4/9/87	
100	2/18/87	3/3/87						4/7/87			
116	2/18/87	3/13/87	4/8/87	tabled							

a separate sheet for Senate Bills, House Bills, and Resolutions.

placing a major commodity transportation mode on a more equal competitive basis. (See Exhibit)

Keith Olson, executive director of the Montana Logging Association, spoke in support of the bill. He said one third of the organization was involved in the transportation of logs. He pointed out the majority of those were owner operators of a single truck and dependant on that one truck to support their family. He said that SB 44 would decrease the operating expense.

Don Ingels, representing the Montana Chamber of Commerce, spoke in support of SB 44.

Roger Tippy, representing the Montana Beer and Wine Wholesalers Association, spoke in support of SB 44.

OPPONENTS TO SENATE BILL 44: Phil Campbell, representing the Montana Education Association, spoke in opposition to the bill. He pointed the loss of tax dollars that had a negative impact on school revenue.

Ron Preston, city of Missoula, spoke in opposition to the bill. He said the bill would substantially reduce local revenues with no alternative source.

TECHNICAL COMMENTS ON SENATE BILL 44: Randy Wilke, bureau chief of the property assessment division, offered technical amendments.

QUESTIONS FROM THE COMMITTEE: Rep. Ellison asked about farm trucks being different weights but used for the same purpose. Sen. Farrell said he had no objection to change the bill concerning transportation loads.

CLOSING ON SENATE BILL 44: Sen. Farrell commented on the applicability date that there were some people that may not license their vehicle because of the quarter system. He said he had no objection to moving the date up to July 1.

CONSIDERATION OF SENATE BILL 22: Sen. Fred Van Valkenburg, Senate District 30, introduced SB 22. He said the bill was an extension and expansion of the definition of the Capital Company credit. He said it extends the application of credit through June 30, 1991. He said this increases credit from 25% to 50% of the amount of the investment. He pointed out a major change would allow investment of up to 25% of Capital Company's funds outside of the state of Montana if such investment is likely to produce a qualified investment in Montana. He said there are changes in the definition of capital base. He said this is a major giveaway of tax dollars in the state of Montana. This is a good reason to

use the tax dollars. He pointed out the shortage of venture capital.

PROPOSERS OF SENATE BILL 22: Dick Burke, president of the Development Corporation of Montana, spoke in support of SB 22. He discussed the concept of the bill. He distributed a handout regarding definitions in the bill (Exhibit #4). He pointed out a bill in 1983 called the Capital Company Act that authorized \$2 million in tax credits and set the tax credit at 25%. He said the reason behind the bill was drafted because step tax credit is insufficient to free up private sector money, and that the essential reason for the bill is to raise tax credits. He said the tax credits would not be used unless the private sector raises money. He said that flexibility was needed to do deals elsewhere where there is a likelihood to getting dollars back here. He distributed information about the company (Exhibit).

Warren Robinson testified in support of Senate Bill 22.

Jack Manning, an attorney from Great Falls, spoke in support of the bill. He said their firm represents entrepreneurs, underwriters and venture capitalists. He said that venture or seed capital is crucial for economic development. He said the 25% credit has been helpful to capital companies but is just too small.

Evan Barrett, representing the Montana Economic Development Association and Butte Silver-Bow, support the legislation as a significant improvement in the economic development of the infrastructure. He said the availability of capital is important for small businesses.

Don Peoples, representing Montana Energy and Research Development Institute, spoke in support of the legislation. He said there was a tremendous need for venture capital.

Bob Pancich, administrator of the Montana Economic Development Board, spoke in support of the bill. He said they certify and qualify the Montana Capital Companies Act.

Tom Thomas, president of the Great Falls Capital Corporation, spoke in support of the bill. He said they intend to purchase successful businesses and relocate them in Great Falls. He said that higher limits were necessary to make it possible to attain greater capital.

Don Ingels, Montana Chamber of Commerce, testified in support of Senate Bill 22.

OPPOSERS ON SENATE BILL 22: Ken Morrison pointed out a definition of funds.

QUESTIONS FROM THE COMMITTEE ON SENATE BILL 22: Rep. Ellison asked Sen. Van Valkenburg about the effects on local government and how it should be minimized. Sen. Van Valkenburg replied that he had no quick answer.

Rep. Asay asked whether he thought about the inverse impact on local government if this would increase an existing business or bringing in a new one. Sen. Van Valkenburg said there was a substantial impact. He said if an investment is made by a capital company where the credit is given and the subsequent benefit from that investment. He said the investment in the company may not be in the same locality that the credit might be taken.

CLOSING ON SENATE BILL 22: Sen. Van Valkenburg closed on SB 22.

ADJOURNMENT: There being no further business before the Committee, the meeting was adjourned at 12:00 noon.


Representative Jack Ramirez,
Chairman

HOUSE TAXATION COMMITTEE

Date March 10, 1987

[illegible]

Senate Bill 22

EXHIBIT #4
DATE 3-10-87
SB 22

PROPOSED AMENDMENTS

Page 7, line 25; Page 8, lines 7 and 14

1. Strike "certified"
2. Insert "qualified"

House TAXATION

BILL NO. SB 22

DATE 3-10-87

SPONSOR VAN VALKENBURG

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FOR
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

MINUTES OF THE MEETING
TAXATION COMMITTEE
HOUSE OF REPRESENTATIVES
50TH LEGISLATIVE SESSION

April 9, 1987

The meeting of the Taxation Committee was called to order by Chairman Ramirez on April 7, 1987, at 8 a.m., in Room 312B of the State Capitol.

ROLL CALL: All members were present, except Reps. Harp and Schye, who were excused. Also present was Greg Petesch, Director of Legal Services, Legislative Council.

DISPOSITION OF SENATE BILL NO. 22: Rep. Ream made a motion that SB 22 BE CONCURRED IN AS AMENDED. The motion CARRIED unanimously. Rep. Harp was asked to carry the bill.

DISPOSITION OF SENATE BILL NO. 228: Rep. Keenan made a motion that SB 228 BE CONCURRED IN.

Greg Petesch advised that Sen. Van Valkenburg had an amendment to change the date on page 4, line 15, from 1990 to 1989. He commented the remainder of the amendments would change the effective and applicability dates.

Rep. Keenan made a motion to approve Sen. Van Valkenburg's amendments. The motion CARRIED unanimously.

Rep. Gilbert asked for an explanation of line 18 on page 2 of the bill. Greg Petesch said the bill splits education and local impact accounts into separate accounts, at a \$17.5 million impact, and would provide 20 percent to education. He explained it allows the coal board to award funds they don't need over the coming biennium.

Rep. Gilbert stated he was concerned with the loss of highway funding. Greg Petesch advised that highway funding is addressed on page 2, lines 2-5.

Chairman Ramirez stated an amendment is necessary to show that 6 percent would continue to be deposited until June 30, 1987.

Rep. Sands advised that amendment #7, states sections 2, 8, and 14 are effective on July 1, 1987, and should cover the situation.

Rep. Patterson stated the bill makes a major change to the coal trust, as only the principal deposited will go to the trust.

TAXATION COMMITTEE

April 9, 1987

Page 2

Chairman Ramirez asked how the bill would affect the water bond program. Greg Petesch replied that, currently, 15 percent of the interest is reinvested into the permanent fund, and water bonds are reinvested before they go to the trust fund. He stated it is his understanding that 15 percent was for an interim study to prevent erosion of the corpus.

Rep. Asay said he had a problem with taking dollars for criminal investigation of drug traffic, and that he had an amendment to leave 1 percent of the funds for this program. He commented it would involve about \$800,000 for the biennium.

Rep. Raney asked Gary Carroll, if the Coal Board had enough money to run the drug operation in five counties. Mr. Carroll replied the only funding comes from the Coal Board right now, and that \$300,000 is needed to fund the program each year.

Rep. Asay made a motion to change line 14, on page 2 to 4 percent and to take \$600,000 from the general fund and leave it in the coal impact fund for investigation of drug trafficking.

Murdo Campbell commented that if the money is available, he would have to consider that task force along with other requests, so it should be spelled out, if that is the intent of the Committee.

Rep. Ellison commented that if the money is set aside without being earmarked, he believed the Coal Board would be bound to consider all requests for funding.

Rep. Keenan said she believes it is poor public policy to throw intentions into the minutes, rather than making them a part of the bill.

Rep. Sands stated it is not a new program, and the local impact account goes down from \$5 million to \$983,000 annually.

Rep. Asay stated the 4 percent allocation for the task force does not need to be specified in the bill. Rep. Sands replied he didn't believe it appropriate to earmark a special program in the statute, and that he would object to the motion.

Rep. Raney said he feared that what Rep. Keenan alluded to was true, and that the Committee needs to find out what rock bottom is from Gary Carroll. Mr. Carroll replied he has five agents right now, but does not want to take the responsibility of operating with less than four agents, and

about \$60,000 less in funding. He said the counties still have to come up with a 20 percent match, which has been approved in the Appropriations budget process.

Chairman Ramirez asked if one-half of 1 percent would provide adequate funding, because it would raise about \$401,000. Murdo Campbell advised that 3.3 percent is 1.25 percent of the 50 percent allocated, and that it could be reduced to 2.64 percent.

Terry Johnson, OBPP, said the fiscal note is based on Revenue Estimating Advisory Council figures, as well as those of the Revenue Estimating Subcommittee. He explained that those figures are \$55 million in FY88 and \$60-61 million in FY89, which is a large difference. He added that 1 percent on half of the allocation would raise \$55,000.

Chairman Ramirez asked if the Committee would then need to set aside seven-tenths of 1 percent to raise \$200,000. Mr. Johnson replied that would be correct, and said it seems the Committee should not make a decision that this issue is a lower priority, which could be taken out later on in the process.

Rep. Williams said he didn't believe the Committee should put its intent in the minutes, concerning task force funding.

Rep. Asay withdrew his earlier motion and made a motion that the Committee approve seven-tenths of 1 percent for the task force. The motion CARRIED with all members voting aye, except Rep. Keenan, who voted no.

Rep. Asay made a motion that SB 228 BE CONCURRED IN AS AMENDED. The motion CARRIED, with all members voting aye except Rep. Keenan, who voted no. Rep. Asay agreed to carry the bill.

DISPOSITION OF SENATE BILL NO. 162: Rep. Williams made a motion that SB 162 BE CONCURRED IN, and said this is the only bill which attempts to address the situation of delinquent taxes, that has met with the approval of most of the county treasurers and assessors.

The motion made by Rep. Williams CARRIED unanimously.

DISPOSITION OF SENATE BILL NO. 74: Rep. Sands made a motion that SB 74 BE CONCURRED IN.

Rep. Ream attempted to explain the differences in the fiscal notes between SB 74 and HB 904. He said the bill would cost \$1.956 million with no exemptions, and \$5.2 million on the

DAILY ROLL CALL

HOUSE TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date Apr 9, 1987

NAME	PRESENT	ABSENT	EXCUSED
REP. RAMIREZ	✓		
REP. ASAY	✓		
REP. ELLISON	✓		
REP. GILBERT	✓		
REP. HANSON	✓		
REP. HARP			✓
REP. HARRINGTON	✓		
REP. HOFFMAN			
REP. KEENAN	✓		
REP. KOEHNKE	✓		
REP. PATTERSON	✓		
REP. RANEY	✓		
REP. REAM	✓		
REP. SANDS	✓		
REP. SCHYE	✓		
REP. WILLIAMS	✓		

APRIL 9

19 37

Mr. Speaker: We, the committee on HOUSE TAXATIONreport SENATE BILL NO. 22☐ do pass
☐ do not pass☒ be concurred in
☐ be not concurred in☒ as amended
☐ statement of intent attached

as amended as follows:

Representative Jack Ramirez, Chairman

1. Page 4, line 15
Following: "its"
Strike: "unds"
Insert: "capital base"
2. Page 4, lines 16 and 17
Following: "if" on line 16
Strike: remainder of line 16 through "to" on line 17
Insert: "there is a substantial likelihood that such
investment will"
3. Page 7, line 25
Strike: "certified"
Insert: "qualified"
4. Page 3, line 7
Strike: "certified"
Insert: "qualified"
5. Page 3, line 14
Strike: "certified"
Insert: "qualified"